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CENTRAL INTELLIGENCE BULLETIN



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DAILY BRIEF

I. THE COMMUNIST BLOC

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USSR: Khrushchev's statement on 5 March that the USSR would be willing to postpone the 27 May deadline on Berlin for a month or two if the West is prepared to "negotiate reasonably" is probably intended to undercut Western objections to negotiations under threat of an ultimatum and increase public interest in summit talks. Khrushchev's remarks provide a further indication that Soviet control functions will not be transferred to the East Germans until after a separate peace treaty is signed.

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USSR-Iran: With the conclusion of the US-Iranian bilateral defense agreement on 5 March, Moscow can be expected to step up its pressure on Tehran. Prior to the signing, Soviet spokesmen termed the agreement a "hostile act," and the USSR is reported to have notified the Iranian Government that it would

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regard the pact as an "implied declaration of enemy status." The Soviet military attaché in Tehran stated at a diplomatic function on 27 February that Moscow would initiate every form of propaganda, economic, and political pressure against Iran.

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DAILY BRIEF

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Ceylon - Communist China: [Ceylon's minister of transportation is scheduled to depart for Peiping on 14 March to negotiate landing rights at Canton for the Ceylonese Government's national airline. Colombo is probably willing to grant Peiping reciprocal rights if requested, and this could eventually provide bloc airlines with another access to South Asia.]

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Nationalist China: [Chinese Nationalist Vice Foreign Minister Shen has expressed fear that the trial of an American sergeant for the traffic death of a member of the legislature may lead to a serious adverse public reaction. As in the case which resulted in the sacking of the American Embassy in 1957 Shen fears the Chinese people will not understand US juridical procedures. The incident is being used by the legislature to press for the conclusion of a status-of-forces agreement which has been under negotiation since 1956. The press thus far has generally refrained from inflammatory comment.]

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III. THE WEST

France - West Germany: [De Gaulle and Adenauer, whose meeting on 4 March was described by the French as having gone "remarkably well," are reported to have been considerably concerned that the Macmillan-Khrushchev communiqué mentioned willingness to study disengagement. A French Foreign Ministry official believes limitations on conventional and nuclear arms without agreement on a unified Germany come "dangerously close" to the Rapacki Plan.]

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DAILY BRIEF

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I. THE COMMUNIST BLOC

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Khrushchev Offers to Extend Berlin Deadline

[Khrushchev's offer on 5 March to defer the transfer of Soviet control functions to the East Germans for a month or two if the West is prepared to "negotiate reasonably" is intended as another demonstration of Soviet reasonableness and desire for a peaceful settlement of the Berlin and German questions. The Soviet premier also indicated again that the USSR and its satellites intend to sign a separate peace treaty with East Germany before the transfer of Berlin access controls takes place.]

[The Soviet leaders, in public and private statements over the past two months, have sought to give the impression of flexibility on the Berlin deadline. Mikoyan, at a press conference in Moscow on 24 January, implied that the deadline could be extended for as much as two or three months if the USSR were convinced that the Western powers were negotiating "with the object of ending the occupation regime in West Berlin."]

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[Khru-
shchev denied that the USSR had imposed an ultimatum and stated that his "bureaucrats" had insisted that some time limit must be fixed. He said the transfer of controls could take place earlier or later than 27 May.]

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[Ambassador Thompson believes Khrushchev wants a summit meeting so badly that he would drop his insistence on parity. Thompson suggests Khrushchev would discuss reunification at a summit conference but would not accept an agenda which clearly implied a commitment to do so.]

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New Soviet Pressure on Iran Expected

Moscow is expected to step up its pressure on Iran following conclusion of a US-Iranian bilateral defense agreement on 5 March. Soviet officials in Tehran had previously notified the Iranian Foreign Ministry that the USSR would regard conclusion of the agreement as an "implied declaration of enemy status." When questioned as to Soviet intentions, however, the Soviet military attaché in Tehran, Kuzmenko, said that "there is nothing in Iran" over which the US and the USSR "must become militarily involved in what could develop into World War III."

The Soviet attaché warned that in the propaganda field, "the Shah will personally suffer the full consequences of his irresponsible acts." Moscow's Persian-language broadcasts attacking the Shah's regime have continued at a high level, particularly stressing the theme of Khrushchev's speeches at Tula and Moscow--that no kind of treaty can save a "rotten throne" from its own people.

Kuzmenko declared he anticipates a complete economic boycott by the USSR--a move which may stimulate local unrest and strengthen antiregime elements. While the USSR will not be able to upset Iran's foreign-exchange earnings from oil royalties, a boycott could affect up to 25 percent of Iran's exports and 10 percent of total imports. Moscow could discontinue purchases of Iranian wool, cotton, and minerals--for which there is no ready free-world market. It could also disrupt the economy temporarily by failure to deliver a wide variety of construction materials and light industrial goods.

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Ceylon Plans to Extend Civil Air Route to Communist China

The scheduling by Communist China and Ceylon of negotiations on a civil air route is the first indication that Ceylon's efforts of over two years to obtain traffic rights at Canton may be successful. The Ceylonese delegation, which is to leave for Peiping about 14 March, apparently hopes to extend Air Ceylon's international service to Canton and Hong Kong via Rangoon. The present service terminates at Singapore.

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The eventual extension of reciprocal rights at Colombo to the Chinese would provide Sino-Soviet bloc airlines with an additional access to South Asia. Moscow already has civil air agreements with India and Afghanistan, [and is attempting to supply Nepal with civil aircraft. The King of Nepal, however, has said he would reject the Soviet offer if the United States could furnish planes.]

Peiping has been unwilling to grant Air Ceylon traffic rights at Canton in the past, primarily because that airline was almost half controlled by the Dutch KLM. Recently, however, the Ceylonese Government is said to have increased its participation in Air Ceylon to 74 percent, [which may account for Peiping's policy reversal. Peiping recently permitted Burma to extend its Rangoon-Hong Kong route to Canton.]

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Britain probably will continue to refuse Air Ceylon traffic rights at Hong Kong, particularly if doing so would facilitate the airline's service to Canton.

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Chinese Nationalists Concerned Over Possibility of Anti-American Incident

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[Chinese Nationalist Vice Foreign Minister Shen Chang-huan has expressed anxiety that the recent death of Legislator Ma Hsiao-chun in an accident involving an auto driven by an American sergeant might lead to a serious incident. Shen told Ambassador Drumright on 3 March that the Chinese public might find it difficult to understand US judicial concepts and legal procedures. He was concerned that some step in the legal process might touch off an explosion, and inquired into the possibility of avoiding a public trial.]

[Shen evidently fears a repetition of the pattern of the Reynolds case of 1957, in which acquittal of an American sergeant for the shooting of a "Peeping Tom" led ultimately to violence and the sacking of the American Embassy.]

[Unlike the coverage of the Reynolds case, most Nationalist press comments on the Ma case have been objective and free from inflammatory comment. Furthermore, the Nationalist Government appears anxious to avoid a violent reaction. A few independent papers, however, have printed strong articles.]

[The incident has led to pressure in the Legislative Yuan for the conclusion of a status-of-forces agreement, but so far those members who tend to be critical of the government have not seized upon the case as a political weapon. The status-of-forces agreement has been under negotiation since 1956, with the issue of jurisdiction over US forces the chief problem.]

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France Readyng Intensified Effort Against Algerian Rebels

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[France is preparing an intensified effort against the Algerian National Liberation Front (FLN), including diplomatic as well as political and military measures, according to a French Foreign Ministry official. He linked the diplomatic aspect with criticism of France's allies, particularly the United States, for tolerating activities of FLN representatives in their territories. De Gaulle's personal diplomatic adviser told an American Embassy officer in Paris that such activities in the United States give the rebel Provisional Algerian Government "stature" at the UN and greatly increase De Gaulle's difficulties in seeking an Algerian solution. The French ambassador to Washington also has seemed to link representations on the same subject to De Gaulle's demands that his principal NATO allies, particularly the United States, support French policy in North Africa.]

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[De Gaulle may be under pressure, particularly from the French Army in Algeria, to achieve an early cease-fire which could be claimed by the army as a victory. This may be an important factor behind his current tactics in NATO, including threats to withdraw the Mediterranean Fleet from its present status as well as his reiterated demands that the alliance back French policy in Algeria.]

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